

3/10/05

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

2005 MAR 29 A 10:08

BACKGROUND:

I'm a lifelong Republican. I belonged to the Young Americans for Freedom and worked for the Goldwater campaign during my college years at George Washington University where I majored in Economics. Wm. F. Buckley Jr. and Milton Friedman were my heroes. I devoured Ayn Rand novels. I believe in a free-market economy that rewards effort, not slacking.

Now 40 years later- I'm losing confidence due to the abuses, injustices and contradictions that have challenged the conservative idealism of my youth. All levels of government have a responsibility to create a fair playing field and conscientiously referee the game. Our system is incredibly dynamic. To keep it fair and efficient, rules must be constantly evaluated and reformulated. I'm very heartened to see the Bush administration take on the task of overhauling the tax system.

ISSUES:

The increasing gap between rich and poor and erosion of the middle-class is a serious threat to this country. Our tax rates and/or brackets have not adjusted for the impact of a vastly changed economic geography. At the middle and lower income levels the differentials in the cost of living-due primarily to housing prices- has created a vast inequity among individuals with equivalent incomes residing in impacted or high growth areas and those in more stable or declining regions. Simple supply and demand answers are no longer effective when supply is exhausted beyond commuting distances-with gas

prices, traffic congestion and ineffective public transportation further limiting housing choices.

A family or single individual earning 30-50K can survive a 10-25% tax load in most areas. However, if one resides in urban CA, the urban NE or the DC corridor; that same tax burden is so overwhelming that survival requires multiple wage earners to share the exploding burden of rental prices. In these areas most can forget the American dream of home ownership unless they are the beneficiary of inherited wealth. The growing class of permanent renters does not portend well for the future of our nation. Now health insurance costs have added a new dimension. One can take risks and forego health insurance but choosing homelessness is a true last resort.

Families must have two breadwinners. Young people combine in roommate pools; dating couples move in together, many singles remain in the homes of parent(s) and/or relatives. The very poor have whole extended families sharing one residence. The almost-senior singles are hit hardest; incomes stable or declining, but not old enough for Medicare or the larger standard deduction. Waiting lists for senior rental communities are years long. Living in a rented single room or living with strangers is a demeaning alternative. I am one of those seniors-approaching 62-living in Irvine, CA where a 476 sq. ft. studio rents for over \$1000- not including utilities. I live here because my grown children and grandchildren are here. It shouldn't be unreasonable, with an income of approximately \$40K, to be able to remain in my community near my family. With rent, utilities and healthcare, I'm at the edge. This is one story in millions. My tax load affects my grocery choices. Why has personal debt skyrocketed? Some individuals have to use debt to pay for necessities.

RESOLUTION:

Our outmoded tax system now has several provisions to assist people. There are deductions for heads of household, disabilities, new provisions to help families with children-etc. These provisions do not sufficiently address the problem of inequity and can exacerbate it. If you give an additional \$1000 per child deduction to help a family living in an area where they're paying \$700/mo in rent, it becomes discretionary spending. That same amount for a family in an impacted area paying \$1700 may allow them to borrow a little less to pay their taxes.

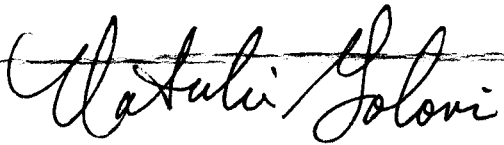
I desperately hope your commission will discuss how this untenable situation can be ameliorated. If the system of multiple deductions is continued, consider a deduction for those renting in those impacted areas where rents have risen astronomically. If we go to a simpler form of taxation, consider a down-shifted 5%-20% bracket to adjust for the housing disparity. Impacted regions can be targeted and taxes should reflect a concern for all those earning 60% or less than their region's median income.

ONE LAST THOUGHT and POLITICAL REVERBERATIONS:

Do we really have a fair system when the marginal rate rises 15 percentage points from 10% to 25% on low and middle income individuals earning under 72K, but then rises only an additional 3 percentage points, from 25-28% on those from 72-150K? I well understand the total dollar burden on the higher income range is significantly greater. However, an individual with an income of 72K plus is able to live adequately, providing for all basic human needs in any community-at least in 2005. This is not true for those in the lower bracket living in many impact areas. For the sake of fairness and good politics this should be given serious consideration.

The overwhelming housing costs are in the blue states. Give some needed relief to these voters, many of whom are just, or not quite making it, and Republicans may benefit generously.

Thank you,

A handwritten signature in cursive script that reads "Natalie Golovin". The signature is written in black ink and is positioned above a horizontal line that spans the width of the page.

Natalie Golovin

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